

Education and Workforce Development Cabinet

Unemployment insurance fraud - a real crime with real consequences

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FRANKFORT, Ky. - Committing unemployment insurance fraud may sound like a victimless crime that is easy to get away with, but for many people who got caught in fiscal year 2010, it wasn't worth it.

"Unemployment insurance fraud is a serious crime that has serious consequences. In a recent case a person was convicted of UI fraud, served 10 days in jail, and was required to repay in excess of \$4,500," said Allen Larson, director of the Division of Unemployment Insurance (UI) in the Kentucky Office of Employment and Training (OET).

Kentucky uses various methods to detect fraud, including random audits, computerized cross match and anonymous tips. There are six regional fraud investigators who check leads, verify audits and work with local prosecutors to bring criminal charges.

A fraudulent payment of \$100 or more is a felony punishable by a jail sentence, requirement to repay the amount received with interest, and other penalties imposed by the court or the UI division including disqualification from the program for a period of time, even though you would otherwise be entitled to benefits, and the placement of a lien on your property. Last fiscal year, more than \$5 million was overpaid as result of fraud which resulted in more than 200 state court convictions.

The most common cases involve people who are working while receiving benefits or those who do not actively seek work. A claimant collecting benefits must report any work, even a temporary

job, to the UI office – an intentional failure to do so is fraud. A growing source of criminal charges is people who purposely give false or incomplete information when they apply for benefits.

In addition to fraud cases, the agency audits employers to check for non-compliance issues such as under reporting wages and taxes. During 2010, wages totaling more than \$16.5 million were under reported compared to nearly \$18 million in 2009, according to the audits. Taxes totaling \$150,434 were under reported in 2010 compared to \$205,817 in 2009. The audits also found 396 employers that misclassified employees in 2010 and 352 in 2009. Also, 568 employers under reported taxes 2010, and 595 employers under reported them in 2009.

From the third quarter of 2008 through the third quarter of 2010, the agency had 14,404 individual employers who filed a quarterly report late resulting in more than \$3 million in penalties. While these cases are not necessarily fraud, they represent funds that should go into the unemployment insurance system.

“We appreciate and check every tip that people give us about possible fraud cases. If someone becomes aware of a violation, they’re encouraged to contact us. In fiscal year 2010, our investigators were assigned more than 1,900 cases that came from anonymous tips and audits,” Larson said.

Possible fraud violations may be reported to any local OET office or by calling (502) 564-3240. You can remain anonymous, but it is important you give as much information as you can to help the investigators pursue your tip. For example, having the correct name and current or previous employer of the person you suspect of committing fraud will help investigators pursue a tip.

Learn more about the Office of Employment and Training at <http://oet.ky.gov>.